

## **Public Purchases**

**February 2001**

***Arthur A. Hayes, Jr., CPA, JD, CFE***

Director

***Deborah V. Loveless, CPA***

Assistant Director

***Diana L. Jones, CGFM***

Audit Manager

***R. Mason Ball, CPA, CFE***

***Catherine Balthrop, CPA***

In-Charge Auditors

***Amy Brack***

Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

John G. Morgan  
Comptroller

February 28, 2001

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the report on public purchases conducted pursuant to the requirements of Chapter 895, Public Acts of 1998.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/dlj  
00-009

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Special Report  
**Public Purchases**  
February 2001

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## OBJECTIVES

The objectives of the report were to determine whether the changes in the public purchase limits had any impact on the efficiency and effectiveness of the purchasing of goods or services from vendors registered with the State of Tennessee; to determine whether the changes in the public purchase limits had any impact on the number and dollar amount of purchase orders awarded to small and minority-owned businesses; and to identify the barriers small and minority-owned businesses may face in doing business with state agencies and to determine the actions taken by the state to assist those businesses.

## OVERALL CONCLUSIONS

In evaluating the effect of the changes in purchasing limits on state government and state government vendors (particularly small and minority-owned businesses), we compared purchasing data for the year before (December 1997 through November 1998) and the year after (December 1998 through November 1999) the purchasing limits were changed; reviewed and analyzed the Purchasing Division's annual reports; reviewed other purchasing studies and surveys; and followed up with staff of the Purchasing Division and other state agencies and with representatives of minority business organizations. In brief, our overall conclusions are as follows:

- As intended, the changes in purchasing limits have increased the percentage of purchases (both number and dollar amount) that are awarded at the state agency level, rather than by the Department of General Services' Purchasing Division. Comments by purchasing staff indicate that the changes have improved the efficiency and effectiveness of the purchasing process; however, neither Purchasing Division staff nor other state agency purchasing staff interviewed could provide data to support an increase in efficiency or effectiveness at the state agency level. The Division of Purchasing did provide information concerning purchase requisitions and related processing times, both before and after the changes in purchasing limits, for purchases processed through the division. Those data indicated that processing times (which can also be affected by factors outside the division's control) decreased little in the year after the limits were changed.
- Based on a review of Tennessee On-Line Purchasing System (TOPS) information, the changes in purchasing limits appeared to have little effect on the awards of purchases to small and minority-owned businesses. The changes in purchasing limits also appeared to have little effect overall on how awards to minority vendors were distributed among the various ethnic groups, based on

TOPS data. During both years, about 51% of the purchase orders were awarded to Caucasian vendors, Hispanic vendors received about 12%, and African-American vendors received about 5% to 6% of the purchase orders awarded through TOPS.

- When comparing the dollar amounts awarded to the various ethnic groups for the two periods, the percentage of the total awarded to the various groups remained basically the same, with two exceptions: the percent of total dollar amounts awarded to Hispanic vendors increased by about 10%, and awards to African-American vendors decreased by about 10%.
- Female Caucasian vendors received a majority of purchase orders awarded to minority groups, in terms of total number of awards. In terms of total dollar amounts of awards, ethnic background male and ethnic background female vendors combined received a slightly larger amount than female Caucasian vendors.
- A review of State of Tennessee Accounting and Reporting System (STARS) payments indicates that the state appears to be meeting or exceeding the Board of Standards' goal to award 25% of purchases to small and minority businesses. However, information from TOPS indicates that non-minority small businesses receive most of the purchase orders (both number and dollar amount) awarded to small and minority businesses.
- The Department of General Services' Purchasing Division has taken a variety of actions to communicate with minority vendors and assist small and minority vendors who wish to do business with the state. Despite these activities, however, the percentage of active registered vendors who are classified as minorities has increased very little in recent years. In addition, African-American vendors who are registered with the state have a low response rate to bid solicitations, much lower than female vendors.
- A review of other purchasing studies and surveys indicated that the major barriers keeping minority businesses from successfully competing for state purchases may be financial or attitudinal in nature—barriers that cannot easily be overcome by standard education and technical assistance activities.
- In reviewing and analyzing the purchasing data provided, we encountered several problems with the data—incomplete and overlapping information—that limit its usefulness (page 7).

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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# **Special Report Public Purchases**

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# **Special Report Public Purchases**

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## **INTRODUCTION**

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### **PURPOSE AND AUTHORITY**

Chapter 895 of the Public Acts of 1998 amended the statutes concerning public purchases, increasing the small purchase limits from \$1,000 to \$2,000 and increasing the informal bid limits from \$5,000 to \$10,000. The act also required the Comptroller of the Treasury to report to the Governor and the General Assembly on the impact the provisions of the act have had upon state government and state government vendors. The report was to be completed as soon as practicable after the provisions of the act had been in effect for one year.

### **OBJECTIVES**

The objectives of the report were

1. to determine whether the changes in the public purchase limits had any impact on the efficiency and effectiveness of the purchasing of goods or services from vendors registered with the State of Tennessee;
2. to determine whether the changes in the public purchase limits had any impact on the number and dollar amount of purchase orders awarded to small and minority-owned businesses; and
3. to identify the barriers small and minority-owned businesses may face in doing business with state agencies and to determine the actions taken by the state to assist those businesses.

### **SCOPE AND METHODOLOGY**

The Department of General Services' Purchasing Division implemented the new public purchase limits on December 1, 1998. We obtained purchasing data from the division for the period December 1, 1997, to November 30, 1998, to represent purchases made prior to the change in purchasing limits. This information was compared with the division's data for public purchases for the period December 1, 1998, to November 30, 1999, which represents purchases made after the limits were changed. (See page 7 for a discussion of the data-related problems we encountered. Although the problems encountered are unlikely to change our overall conclusions,

the limitations of the data make it difficult to ensure the accuracy of individual percentages and dollar amounts presented.)

The information presented in this report was also obtained through

1. interviews with staff of the Department of General Services' Purchasing Division, the Department of Transportation, the Department of Economic and Community Development's Tennessee Business Services Division, the Human Rights Commission, the Department of Finance and Administration's Office of Contracts Review, and with directors of minority business organizations;
2. a review of applicable state laws and rules and regulations, relevant state publications, various surveys and reports concerning small and minority-owned businesses, prior performance audits and financial and compliance audits, and purchasing statutes and audit reports from other states; and
3. a review of purchasing data recorded on the Tennessee On-Line Purchasing System (TOPS) and the State of Tennessee Accounting and Reporting System (STARS).

## **PURCHASING PROCEDURES**

The Department of General Services is responsible for procuring goods and services for state agencies through a competitive bid process. The department establishes statewide contracts and agency term contracts for repetitive purchases, and approves delegated purchase authorities from bid to allow agencies to purchase certain items (e.g., perishable commodities, items with widely fluctuating prices) directly. (See the Appendix for definitions of purchasing terms and further description of purchasing procedures.) For other types of purchases, the process depends on the dollar amount of the purchase:

Purchases of \$400 or less—State agencies may make these purchases locally, without competitive bidding.

Purchases between \$400.01 and \$2,000—Agencies must obtain three informal (telephone) competitive bids but can bypass General Services' requisition process and directly procure the goods or services, as long as those goods/services are unavailable on any statewide term contract, any agency term contract, or any delegated purchase authority from bid.

Purchases between \$2,000.01 and \$10,000—General Services' Purchasing Division makes these purchases but they may be made informally using written or telephone bids. (Written confirmation of bids should be requested for all telephone bids.)

Purchases over \$10,000—The Purchasing Division makes these purchases using a formal sealed-bid process.

See Exhibit 1 for a comparison of the old and new statutory purchasing limits.



**Exhibit 1**  
**Comparison of Purchasing Limits**  
**Public Acts of 1987 and 1998**

**Section 12-3-204 (Acts 1987, ch. 337)**

**Informal Purchases – Telephone Bids**

The board of standards may grant the director of purchases authority to establish an informal purchasing procedure, including the solicitation of telephone bids, for purchases not exceeding the amount established by the board:

\$5,000 if the board unanimously agrees upon amount  
(Auditor's Note: The board approved this amount.)

\$2,000 if the board does not unanimously agree on a higher amount.

**Section 12-3-210 (Acts 1987, ch. 337)**

**Small Purchases and Delegated Purchases**

Any procurement not exceeding \$1,000, for which a source of supply has not otherwise been established, shall be made without requisitioning such goods or services through the department; provided, that procurement requirements shall not be artificially divided so as to constitute a small purchase under this section.

All purchases authorized and made by departments, institutions, and agencies under the provisions of this section, and the authority granted by the commissioner as therein provided, which exceed \$100 or a higher amount\*\* if the board of standards unanimously agrees upon the amount, shall, whenever practical, be based upon at least three competitive bids and be made in accordance with the provisions of this part and the purchasing rules and regulations as approved by the board of standards.

**Section 12-3-204 (Acts 1998, ch. 895)**

**Informal Purchases – Telephone Bids**

The board of standards may grant the director of purchases authority to establish an informal purchasing procedure, including the solicitation of telephone bids, for purchases not exceeding the amount established by the board:

\$10,000 if the board unanimously agrees upon the amount\*

\$5,000 if the board does not unanimously agree on a higher amount.

**Section 12-3-210 (Acts 1998, ch. 895)**

**Small Purchases and Delegated Purchases**

Any procurement not exceeding \$2,000, for which a source of supply has not otherwise been established, shall be made without requisitioning such goods or services through the department; provided, that procurement requirements shall not be artificially divided so as to constitute a small purchase under this section.

All purchases authorized and made by departments, institutions, and agencies under the provisions of this section, and the authority granted by the commissioner as therein provided, which exceed \$100 or a higher amount if the board of standards unanimously agrees upon the amount\*, shall, whenever practical, be based upon at least three competitive bids and be made in accordance with the provisions of this part and the purchasing rules and regulations as approved by the board of standards.

\* According to the Department of General Services' *Agency Purchasing Procedures Manual*, which was approved by the Board of Standards effective November 28, 1998, an agency may purchase without competitive bidding if \$400 or less (informal bid process). If the amount is \$400.01 to \$2,000, an agency must obtain competitive bids (informal bid process). (The Department of General Services' Purchasing Division may make purchases of \$10,000 or less using the informal bid process.)

\*\*The previous requirement was that all purchases exceeding \$200 be based on at least three competitive bids.

The Tennessee On-Line Purchasing System (TOPS) is used by most state agencies for processing all purchasing transactions and documents. (The Tennessee Department of Transportation (TDOT) only uses TOPS for requisitions required to be processed by the Purchasing Division and for emergency purchases. According to TDOT staff, the majority of the department's activities are funded by federal grants, and TOPS does not carry the level of detail, including the use of project numbers and certain activity codes, required to draw down reimbursements from the federal government. Therefore, the department maintains its own system. In addition, professional service contracts processed by the Department of Finance and Administration, as well as delegated purchase authorities, are also not processed through TOPS.)

Those agencies using TOPS initiate a purchase by processing a purchase requisition. Internal agency approval of the requisition is determined by the individual agency and is documented on TOPS. Additional approvals by other agencies (e.g., Department of Finance and Administration's Office for Information Resources) may be required through TOPS for purchases of a certain type or over a certain dollar amount.

The agency is also responsible for submitting open and competitive specifications to the Purchasing Division. Specifications are maintained in the TOPS database by commodity number. The agency can review, attach, and revise these specifications to suit its specific needs, or develop its own specifications. When the Purchasing Division receives the requisition and the specifications are not adequate, the purchasing agent may return the requisition to the agency for revision or additional information, or the purchasing agent may recommend changes or additions to the existing agency specifications. The requisition is then returned electronically to the agency. The agency either accepts or updates the specifications and returns the requisition to the Purchasing Division.

### Selection of Bidders

The Purchasing Division's solicitation process, designed to process all types of solicitation documents from the simplest telephone quotations to the most sophisticated services solicitations, is used to create vendor bid lists, send solicitations to vendors, and request bids from vendors. Upon receiving a TOPS requisition for purchase with all the appropriate approvals, a division purchasing agent is responsible for the selection of bidders from the Tennessee On-Line Purchasing System's (TOPS) qualified vendor list.

Because of the large number of vendors listed on some qualified vendor lists, it is often necessary to select the vendors who will receive invitations to bid. Bidders are selected for one-time purchases based primarily on small or minority-owned business qualifications, geographical location, past performance, and apparent ability of the vendor to perform the contract. In cases where bids are not being sent to all registered bidders for a specific commodity, the purchasing agent has TOPS randomly select a predetermined number of vendors from the qualified list of registered bidders in TOPS. (The purchasing agent has discretion to determine the number of solicitations to be sent, but must meet minimum requirements – see below.) Under this process, all minority business vendors are selected first, then 25% of the remaining small businesses are selected, and finally the remaining number of vendors (if any) is selected randomly. Once the selection of bidders is complete, the solicitations are printed and mailed. Solicitations are also

posted in the bid room (located on the third floor of the William R. Snodgrass Tower) and listed on the Purchasing Division's Internet web site. Registered vendors may also obtain a solicitation by phone, walk-in, or response through the Internet; they are then added to the system as having been sent a solicitation.

### Sealed Bids

For formal sealed bids on purchases of \$5,000 or less, a minimum of five invitations to bid must be sent; for purchases over \$5,000, at least 15 invitations to bid are required. Bids are publicly opened at the time, date, and designated location (bid room) specified in the solicitation. The bid-opening date is usually dependent on the complexity of the purchase. For example, a simple one-time purchase usually will have a bid-opening time frame of ten working-days. In the bid room, a video camera, audio recorder system, scanner, and a writeable CD-ROM are available. As bids are opened, if an alteration is detected, this is noted publicly, recorded by the audio recorder, and scanned to be recorded on CD-ROM. The video camera records all functions performed during bid openings. If any infractions are noted in a vendor's bid (e.g., unit price changes and/or strike-throughs without vendor initials, bids submitted in pencil, etc.), that vendor is sent a letter notifying him or her of the infraction(s), with a warning that failure to submit correct bids in the future could result in removal from the bid list. The Purchasing Division maintains a record of any notices sent to vendors. After the third warning letter, the vendor will be automatically removed from the bid list by the TOPS system. Minority-owned businesses are not removed in this process.

All bids received are entered into TOPS by the clerical staff. The bid tabulation is printed and filed in the requisition folder. (After bid evaluation, all data relating to the procurement shall be made available for inspection to each bidder on the procurement, upon request. Whenever multi-step sealed bidding is used, the department shall provide no less than five working days for such inspection.) The purchasing agent then identifies the lowest bid received and ensures that the lowest responsive and responsible bid complies with procedures and all criteria set forth in the invitation to bid. If this bid complies, the purchasing agent documents the award on TOPS. If the first bid is not compliant, the next lowest bid is evaluated. Necessary approvals are obtained (the level of staff with approval authority varies depending on the dollar amount of the award). Any special bid requirements are obtained (i.e., performance bond, insurance) from the vendor. The purchasing agent finalizes the award and TOPS issues the purchase order document or contract document. The purchase order document or contract award is reviewed and signed. (The person signing depends on the type and dollar amount of transaction; for example, one-time purchases over \$175,000 must be signed by the Director or Assistant Director of Purchasing.) The clerical staff sends the contracts and/or the TOPS state purchase order to the successful bidder.

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## OVERALL CONCLUSIONS

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In evaluating the effect of the changes in purchasing limits on state government and state government vendors (particularly small and minority-owned businesses), we compared purchasing data for the year before and the year after the purchasing limits were changed, reviewed and analyzed the Purchasing Division's annual reports, reviewed other purchasing studies and surveys, and followed up with staff of the Purchasing Division and other state agencies and with representatives of minority business organizations. Specific conclusions resulting from this review and analysis are detailed beginning on page 8; in brief, our overall conclusions are as follows:

- As intended, the changes in purchasing limits have increased the percentage of purchases (both number and dollar amount) that are awarded at the state agency level, rather than by the Department of General Services' Purchasing Division. (See page 8.) Comments by purchasing staff indicate that the changes have improved the efficiency and effectiveness of the purchasing process; however, neither Purchasing Division staff nor other state agency purchasing staff interviewed could provide data to support an increase in efficiency or effectiveness at the state agency level. The Division of Purchasing did provide information concerning purchase requisitions and related processing times, both before and after the changes in purchasing limits, for purchases processed through the division. (See page 17.) Those data indicated that processing times (which can also be affected by factors outside the division's control) decreased little in the year after the limits were changed.
- Based on a review of Tennessee On-Line Purchasing System (TOPS) information, the changes in purchasing limits appeared to have little effect on the awards of purchases to small and minority-owned businesses. (See page 8.) There was an increase in the actual number of purchase orders awarded to small and minority-owned businesses, but the percentage of total purchase orders awarded to small and minority businesses remained unchanged. There was a slight decrease in the dollar amount of purchase orders awarded to small and minority-owned businesses (about \$500,000), but the percentage of total dollars awarded to those businesses remained basically unchanged.
- The changes in purchasing limits also appeared to have little effect overall on how awards to minority vendors were distributed among the various ethnic groups, based on TOPS data. (See page 11.) During both years, about 51% of the purchase orders were awarded to Caucasian vendors, Hispanic vendors received about 12%, and African-American vendors received about 5% to 6% of the purchase orders awarded through TOPS. When comparing the dollar amounts awarded to the various ethnic groups for the two periods, the percentage of the total awarded to the various groups remained basically the same, with two exceptions. The percent of total dollar amounts awarded to Hispanic vendors increased by about 10%, and awards to

African-American vendors decreased by about 10%. As discussed below, our ability to formulate an accurate conclusion concerning the distribution of purchase orders among ethnic groups is limited because many of the awards go to vendors who have identified themselves as minorities but have not provided ethnicity information.

- Female Caucasian vendors received a majority of purchase orders awarded to minority groups, in terms of total number of awards. In terms of total dollar amounts of awards, ethnic background male and ethnic background female vendors combined received a slightly larger amount than female Caucasian vendors. (See page 11.)
- A review of State of Tennessee Accounting and Reporting System (STARS) payments indicates that the state appears to be meeting or exceeding the Board of Standards' goal to award 25% of purchases to small and minority businesses. However, information from TOPS indicates that non-minority small businesses receive most of the purchase orders (both number and dollar amount) awarded to small and minority businesses. (See page 21.)
- The Department of General Services' Purchasing Division has taken a variety of actions to communicate with minority vendors and assist small and minority vendors who wish to do business with the state. (See page 32.) Despite these activities, however, the percentage of active registered vendors who are classified as minorities has increased very little in recent years. In addition, African-American vendors who are registered with the state have a low response rate to bid solicitations, much lower than female vendors. (See page 25.)
- A review of other purchasing studies and surveys indicated that the major barriers keeping minority businesses from successfully competing for state purchases may be financial or attitudinal in nature—barriers that cannot easily be overcome by standard education and technical assistance activities. (See page 29.)

In reviewing and analyzing the purchasing data provided, we encountered several problems with the data that limit their usefulness. Those problems identified included the following.

- Not all agencies (e.g., the Tennessee Department of Transportation) input information into TOPS; therefore, the purchasing data are not complete. In addition, purchase orders for many professional and personal services go through the Department of Finance and Administration's Service Provider Registry System and, thus, are not included.
- As of December 1999, over one-third of registered vendors who identified themselves as minorities failed to indicate their ethnicity. As a result, the number and dollar amount of purchase orders awarded to some minority groups may be substantially underreported.
- Data in some of the analyses apparently overlap—that is, an individual may be included in more than one category. For example, disabled and African-American

women are also included in the “women” category (e.g., in Table 13), and a business could possibly be counted as a small business, a minority business, and an African-American business (e.g., in Table 12). Such overlap results in inflated numbers.

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## ANALYSIS AND EVALUATION

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### **PURCHASING DATA FOR DECEMBER 1, 1997, THROUGH NOVEMBER 30, 1999**

In order to assess the effects of the new purchasing limits, we compared purchasing data from General Services’ Purchasing Division for the year immediately before the new limits were implemented (December 1, 1997, through November 30, 1998) and the year immediately after the new limits were implemented (December 1, 1998, through November 30, 1999). As would be expected, the number of purchase orders awarded and the dollar amount of the purchase orders awarded by state agencies (instead of the Department of General Services) increased when the two time periods were compared. (See Table 1.) However, the changes in purchasing limits appeared to have little effect on the number and dollar amount of purchase order awards to small and minority businesses or on the distribution of awards among the various ethnic groups.

#### December 1, 1997, Through November 30, 1998 (Awards by Business Ownership Code)

An analysis of the data indicates that 37,839 (15%) of the 249,694 purchase orders awarded (during the year before the changes in the purchasing limits) were awarded to small business owners (non-minority) and 18,412 (7%) were awarded to minority-owned businesses (see Table 2). The percentage of purchase orders awarded to minority-owned businesses was about 7% for all purchase-limit categories (less than \$400, \$400.01 to \$1,000, \$1,000.01 to \$5,000, and over \$5,000). The data also indicate that 89% of the purchases were conducted at the agency level (purchases of \$1,000 and less) and 11% were conducted by the Department of General Services’ Purchasing Division (purchases over \$1,000). (The distinction of purchases conducted at the agency level versus the Department of General Services level is consistent with purchasing policies but does oversimplify the process somewhat in that it does not take into consideration delegated purchase authorities to agencies, purchases made under statewide contract, etc.) Within the minority-owned business classifications, Caucasian female-owned businesses received 3.9%, and ethnic-background male and female business owners received almost 2% of the purchase orders. Non-minority large business owners received 74% of the state’s public purchases.

Small business owners (non-minority) received \$16 million (6%) and minority business owners received \$16.2 million (6%) of the total dollar amount of purchase orders awarded by the state. Caucasian female-owned businesses received 2% and ethnic-background male and female businesses together received 3% of the total dollar amount of purchase orders awarded. Agencies awarded 17% of the total dollar amount of purchase orders awarded (purchase orders

Table 1  
Number and Dollar Amount of Purchase Orders  
Comparison of Numbers and Amounts for  
December 1997 Through November 1998 and for December 1998 Through November 1999

	Number of Purchase Orders				Dollar Amount of Purchase Orders		
Purchase Category	12/97–11/98	12/98–11/99	Percent Change +/-		12/97–11/98	12/98–11/99	Percent Change +/-
State Agencies Purchase Locally, Using Noncompetitive Bidding	190,161	217,522	14.4%		\$25,086,139	\$27,943,788	11.4%
State Agencies Purchase Locally, Using Competitive Bidding	32,749	37,915	15.8%		\$21,664,491	\$35,211,871	62.5%
Purchasing Division Makes Purchase Informally, Using Written or Telephone Bids	19,815	11,626	(41.3%)		\$43,120,842	\$49,677,299	15.2%
Purchasing Division Makes Purchase Formally, Using Sealed Bids	6,969	3,351	(51.9%)		\$178,085,759	\$143,457,191	(19.4%)
Totals	249,694	270,414	8.3%		\$267,957,231	\$256,290,149	(4.4%)

Table 2  
Purchase Order Ranges Recorded in TOPS  
Number of Purchase Orders by Business Ownership Code  
December 1997 to November 1998

Business Ownership Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$1,000	Percent	\$1,000.01 to \$5,000	Percent	> \$5,000	Percent	Total	Percent of Total
<u>Small and Minority Businesses</u>										
Small Businesses (Non-Minority)	32,782	17.24%	3,380	10.32%	1,270	6.41%	407	5.84%	37,839	15.15%
Disabled, Male	7	0.00%	10	0.03%	1	0.01%	1	0.01%	19	0.01%
Disabled, Ethnic Male	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Disabled, Female	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Male	2,340	1.23%	851	2.60%	724	3.65%	250	3.59%	4,165	1.67%
Ethnic Disabled Female	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Female	574	0.30%	84	0.26%	34	0.17%	20	0.29%	712	0.29%
Female Owned, Caucasian	7,768	4.08%	1,178	3.60%	581	2.93%	177	2.54%	9,704	3.89%
Other (undetermined) *	3,363	1.77%	319	0.97%	98	0.49%	32	0.46%	3,812	1.53%
Total Minority	14,052	7.39%	2,442	7.46%	1,438	7.26%	480	6.89%	18,412	7.37%
<u>Non-Minority Businesses</u>										
Government	1,818	0.96%	548	1.67%	579	2.92%	249	3.57%	3,194	1.28%
Non-Minority Large Businesses	137,131	72.11%	25,350	77.41%	15,700	79.23%	5,601	80.37%	183,782	73.60%
Non-Profit	1,576	0.83%	277	0.85%	212	1.07%	58	0.83%	2,123	0.85%
Unknown	2,802	1.47%	752	2.30%	616	3.11%	174	2.50%	4,344	1.74%
Total Non-Minority	143,327	75.37%	26,927	82.22%	17,107	86.33%	6,082	87.27%	193,443	77.47%
TOTAL	<u>190,161</u>	100.00%	<u>32,749</u>	100.00%	<u>19,815</u>	100.00%	<u>6,969</u>	100.00%	<u>249,694</u>	100.00%
Percent of Total Purchase Orders	76.16%		13.12%		7.94%		2.79%		100.00%	

\* Category assigned by computer when individual indicates minority business owner but fails to provide ethnicity information.



under \$1,000), and the Purchasing Division awarded 83% (purchase orders over \$1,000). (See Table 3.) Non-minority large businesses were awarded \$222.4 million (83%) of the state purchase orders.

#### December 1, 1998, Through November 30, 1999 (Awards by Business Ownership Code)

Overall, 39,901 (14.8%) of the 270,414 purchase orders awarded (in the year after the changes in the purchasing limits) were awarded to small business owners (non-minority), and 20,295 (7.5%) were awarded to minority business owners. (See Table 4.) Caucasian female-owned businesses received 4% of total purchase orders awarded, and ethnic-background male and female business owners together received 2% of the purchase orders. The percentage of purchase orders awarded to minority-owned businesses ranged from about 7% to 8% for all purchase limit categories (i.e., less than \$400, \$400.01 to \$2,000, \$2000.01 to \$10,000, and over \$10,000). The data also indicate that 94% of the purchase orders were awarded by agencies (purchases of \$2,000 or less) and 6% by the Purchasing Division (purchases over \$2,000). When compared to the year ending November 30, 1998 (see Table 2), there was a 5% increase in the percentage of purchase orders awarded by state agencies.

Non-minority small business owners received \$15.7 million (6%) of the \$256.3 million in purchase orders awarded by the state to registered vendors (see Table 5). Minority-owned businesses received about \$16 million (6%) of the total purchase orders amount awarded. Non-minority large businesses were awarded \$211 million (82%) of the state's purchase orders. Within the minority-owned business category, Caucasian female-owned businesses received 2.8% of the purchase orders awarded, and ethnic-background male and female business owners together received 3% of purchase orders. Caucasian female-owned businesses received the larger portion of the purchase orders under \$2,000, and ethnic-background male vendors received the larger portion of the purchase orders over \$2,000. State agencies awarded 25% of the total dollar amount of purchase orders (purchases less than \$2,000), and the Purchasing Division awarded 75% (purchases over \$2,000). This is an increase of about 7% of the total dollar amount of purchase orders being awarded at the agency level when compared to the year ended November 30, 1998 (see Table 3).

#### December 1, 1997, Through November 30, 1998 (Awards by Minority Ethnicity Code)

One objective of this study was to determine how purchase orders to minority-owned businesses were distributed by ethnicity. During the year ended November 30, 1998, 51% of the purchase orders were awarded to minority-owned businesses designated as Caucasian, and 27% were awarded to businesses designated as "Unknown" because ethnicity was not indicated on the application. (See Table 6.) Vendors identifying themselves as Hispanic accounted for 12.4% of the purchase orders awarded to minorities, and African-American vendors accounted for 5%. The information in Table 7 indicates that 32% of the total dollar amount of purchase orders awarded to minorities went to Caucasian vendors (females or disabled persons), 25% went to Hispanics, and 20.7% went to African-American vendors. Vendors whose ethnicity was "unknown" received 16% of the dollar amount of purchase orders awarded.

Table 3  
Purchase Order Ranges Recorded in TOPS  
Dollar Amount of Purchase Orders by Business Ownership Code  
December 1997 to November 1998

Business Ownership Code	Purchase Order Limits								Total	Percent of Total
	< \$400	Percent	\$400.01 to \$1,000	Percent	\$1,000.01 to \$5,000	Percent	> \$5,000	Percent		
<u>Small and Minority Businesses</u>										
Small Businesses (Non-Minority)	\$ 3,767,563	15.02%	\$ 2,264,534	10.45%	\$ 2,659,086	6.17%	\$ 7,357,387	4.13%	\$ 16,048,570	5.99%
Disabled, Male	1,836	0.01%	7,399	0.03%	2,738	0.01%	5,075	0.00%	17,048	0.01%
Disabled, Ethnic Male	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Disabled, Female	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Male	369,606	1.47%	581,777	2.69%	1,617,628	3.75%	5,289,618	2.97%	7,858,629	2.93%
Ethnic Disabled Female	0.00	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Female	71,729	0.29%	55,485	0.26%	92,171	0.21%	257,567	0.14%	476,952	0.18%
Female Owned, Caucasian	1,057,622	4.22%	777,935	3.59%	1,244,814	2.89%	2,950,749	1.66%	6,031,120	2.25%
Other (undetermined) *	380,858	1.52%	200,520	0.93%	197,872	0.46%	992,231	0.56%	1,771,481	0.66%
Total Minority	\$ 1,881,651	7.50%	\$ 1,623,116	7.49%	\$ 3,155,223	7.32%	\$ 9,495,240	5.33%	\$ 16,155,230	6.03%
<u>Non-Minority Businesses</u>										
Government	292,017	1.16%	362,730	1.67%	1,344,236	3.12%	5,005,296	2.81%	7,004,278	2.61%
Non-Minority Large Businesses	18,542,524	73.92%	16,742,120	77.28%	34,066,572	79.00%	153,036,475	85.93%	222,387,691	82.99%
Non-Profit	189,437	0.76%	186,556	0.86%	466,071	1.08%	645,444	0.36%	1,487,509	0.56%
Unknown	412,947	1.65%	485,435	2.24%	1,429,655	3.32%	2,545,917	1.43%	4,873,953	1.82%
Total Non-Minority	\$19,436,925	77.48%	\$17,776,841	82.06%	\$37,306,534	86.52%	\$161,233,132	90.54%	\$235,753,431	87.98%
TOTAL	<u>\$25,086,139</u>	100.00%	<u>\$21,664,491</u>	100.00%	<u>\$43,120,842</u>	100.00%	<u>\$178,085,759</u>	100.00%	<u>\$267,957,231</u>	100.00%
Percent of Total Purchase Orders	9.36%		8.09%		16.09%		66.46%		100.00%	
Average Amount of Purchase Order	\$132		\$662		\$ 2,176		\$25,554			

\* Category assigned by computer when individual indicates minority business owner but fails to provide ethnicity information.

Table 4  
Purchase Order Ranges Recorded in TOPS  
Number of Purchase Orders by Business Ownership Code  
December 1998 to November 1999

Business Ownership Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$2,000	Percent	\$2,000.01 to \$10,000	Percent	> \$10,000	Percent	Total	Percent of Total
<u>Small and Minority Business</u>										
Small (Non-Minority)	36,087	16.59%	2,863	7.55%	689	5.93%	262	7.82%	39,901	14.76%
Disabled, Male	12	0.01%	3	0.01%	0	0.00%	0	0.00%	15	0.01%
Disabled, Ethnic Male	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Disabled, Female	2	0.00%	1	0.00%	2	0.02%	0	0.00%	5	0.00%
Ethnic Background Male	2,747	1.26%	1,260	3.32%	494	4.25%	113	3.37%	4,614	1.71%
Ethnic Disabled Female	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Female	705	0.32%	73	0.19%	46	0.40%	4	0.12%	828	0.31%
Female Owned, Caucasian	9,039	4.16%	1,319	3.48%	329	2.83%	92	2.75%	10,779	3.99%
Other (undetermined) *	3,746	1.72%	249	0.66%	44	0.38%	15	0.45%	4,054	1.50%
Total Minority	16,251	7.47%	2,905	7.66%	915	7.87%	224	6.68%	20,295	7.51%
<u>Non-Minority Businesses</u>										
Government	1,996	0.92%	914	2.41%	453	3.90%	81	2.42%	3,444	1.27%
Non-Minority Large Businesses	157,715	72.51%	29,374	77.47%	8,971	77.16%	2,713	80.96%	198,773	73.51%
Non-Profit	1,898	0.87%	374	0.99%	123	1.06%	10	0.30%	2,405	0.89%
Unknown	3,575	1.64%	1,485	3.92%	475	4.09%	61	1.82%	5,596	2.07%
Total Non-Minority	165,184	75.94%	32,147	84.79%	10,022	86.20%	2,865	85.50%	210,218	77.74%
TOTAL	<u>217,522</u>	100.00%	<u>37,915</u>	100.00%	<u>11,626</u>	100.00%	<u>3,351</u>	100.00%	<u>270,414</u>	100.00%
Percent of Total Purchase Orders	80.44%		14.02%		4.30%		1.24%		100.00%	

\* Category assigned by computer when individual indicates minority business owner but fails to provide ethnicity information.

Table 5  
Purchase Order Ranges Recorded in TOPS  
Dollar Amount of Purchase Orders by Business Ownership Code  
December 1998 to November 1999

Business Ownership Code	Purchase Order Limits								Total	Percent of Total
	< \$400	Percent	\$400.01 to \$2,000	Percent	\$2,000.01 to \$10,000	Percent	> \$10,000	Percent		
<u>Small and Minority Business</u>										
Small Businesses (Non-Minority)	\$ 3,940,086	14.10%	\$ 2,720,822	7.73%	\$ 2,911,943	5.86%	\$ 6,164,794	4.30%	\$ 15,737,645	6.14%
Disabled, Male	1,613	0.01%	2,053	0.01%	0	0.00%	0	0.00%	3,666	0.00%
Disabled, Ethnic Male	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Disabled, Female	362	0.00%	2,153	0.01%	9,217	0.02%	0	0.00%	11,732	0.00%
Ethnic Background Male	432,813	1.55%	1,225,098	3.48%	2,055,064	4.14%	3,610,204	2.52%	7,323,180	2.86%
Ethnic Disabled Female	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Ethnic Background Female	86,003	0.31%	64,922	0.18%	222,606	0.45%	80,303	0.06%	453,835	0.18%
Female Owned, Caucasian	1,215,658	4.35%	1,235,217	3.51%	1,422,496	2.86%	3,249,683	2.27%	7,123,054	2.78%
Other (undetermined) *	406,954	1.46%	200,066	0.57%	195,751	0.39%	270,293	0.19%	1,073,063	0.42%
Total Minority	\$ 2,143,403	7.67%	\$ 2,729,509	7.75%	\$ 3,905,134	7.86%	\$ 7,210,483	5.03%	\$ 15,988,530	6.24%
<u>Non-Minority Businesses</u>										
Government	322,395	1.15%	884,209	2.51%	1,883,994	3.79%	2,543,995	1.77%	5,634,593	2.20%
Non-Minority Large Businesses	20,727,144	74.17%	27,171,037	77.16%	38,383,419	77.27%	124,840,922	87.02%	211,122,522	82.38%
Non-Profit	225,115	0.81%	353,048	1.00%	490,417	0.99%	228,688	0.16%	1,297,268	0.51%
Unknown	585,645	2.10%	1,353,246	3.84%	2,102,392	4.23%	2,468,309	1.72%	6,509,591	2.54%
Total Non-Minority	\$21,860,299	78.23%	\$29,761,540	84.52%	\$42,860,222	86.28%	\$130,081,914	90.68%	\$224,563,974	87.62%
TOTAL	<u>\$27,943,788</u>	100.00%	<u>\$35,211,871</u>	100.00%	<u>\$49,677,299</u>	100.00%	<u>\$143,457,191</u>	100.00%	<u>\$256,290,149</u>	100.00%
Percent of Total Purchase Orders	10.90%		13.74%		19.38%		55.97%		100.00%	
Average Amount of Purchase Order	\$128		\$ 929		\$4,273		\$42,810			

\* Category assigned by computer when individual indicates minority business owner but fails to provide ethnicity information.

Table 6  
Purchase Order Ranges Recorded in TOPS  
Number of Purchase Orders by Ethnicity Code  
December 1997 to November 1998

Ethnicity Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$1,000	Percent	\$1,000.01 to \$5,000	Percent	> \$5,000	Percent	Total	Percent of Total
Asian-American	336	2.42%	85	3.56%	44	3.23%	28	6.02%	493	2.72%
African-American	594	4.27%	122	5.11%	103	7.55%	65	13.98%	884	4.88%
Caucasian	7,438	53.46%	1,077	45.12%	531	38.93%	153	32.90%	9,199	50.74%
Hispanic	994	7.14%	594	24.88%	509	37.32%	153	32.90%	2,250	12.41%
American Indian	233	1.67%	33	1.38%	27	1.98%	6	1.29%	299	1.65%
Other*	122	0.88%	6	0.25%	6	0.44%	1	0.22%	135	0.74%
Unknown	4,195	30.15%	470	19.69%	144	10.56%	59	12.69%	4,868	26.85%
Total**	13,912	100.00%	2,387	100.00%	1,364	100.00%	465	100.00%	18,128	100.00%

\* According to General Services staff, the "Other" category was one of the original categories but has not been revised as additional categories have been added to the vendor registration form.

\*\* Because of differences in the way categories were assigned, there is a slight (immaterial) difference between the total minority numbers shown above and the numbers shown in Table 2.

Table 7  
Purchase Order Ranges Recorded in TOPS  
Dollar Amount of Purchase Orders by Ethnicity Code  
December 1997 to November 1998

Ethnicity Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$1,000	Percent	\$1,000.01 to \$5,000	Percent	> \$5,000	Percent	Total	Percent of Total
Asian-American	\$ 56,120	3.01%	\$ 56,784	3.58%	\$ 91,522	3.07%	\$ 467,714	5.02%	\$ 672,141	4.27%
African-American	77,045	4.14%	81,735	5.15%	240,851	8.07%	2,859,999	30.69%	3,259,630	20.70%
Caucasian	974,558	52.33%	714,965	45.05%	1,130,726	37.91%	2,281,731	24.49%	5,101,980	32.39%
Hispanic	196,594	10.56%	410,824	25.89%	1,137,477	38.14%	2,232,959	23.97%	3,977,854	25.26%
American Indian	36,222	1.94%	20,151	1.27%	58,839	1.97%	69,666	0.75%	184,878	1.17%
Other*	9,134	0.49%	3,638	0.23%	10,307	0.35%	11,800	0.13%	34,878	0.22%
Unknown	512,735	27.53%	299,010	18.84%	312,961	10.49%	1,393,616	14.96%	2,518,323	15.99%
Total	\$1,862,408	100.00%	\$1,587,107	100.00%	\$2,982,683	100.00%	\$9,317,485	100.00%	\$15,749,684	100.00%

\* According to General Services staff, the "Other" category was one of the original categories but has not been revised as additional categories have been added to the vendor registration form.

\*\*Because of differences in the way categories were assigned, there is a slight (immaterial) difference between the total dollar amounts shown above and the amounts shown for minorities in Table 3.

#### December 1, 1998, Through November 30, 1999 (Awards by Minority Ethnicity Code)

During the year ended November 30, 1999, 51% of the purchase orders awarded to minority-owned businesses went to Caucasian vendors. (See Table 8.) Hispanic vendors received 12% of the purchase orders awarded, and vendors who identified themselves as African-Americans received 5.7%. Over 25% of the purchase orders awarded to minority-owned businesses were awarded to vendors designated as “unknown” because they failed to indicate their ethnicity on their applications. Table 9 indicates that Caucasian and Hispanic vendors received \$5.5 million (35%) and \$5.3 million (34%), respectively, of the \$15.6 million in purchase orders awarded to minority-owned businesses. African-American businesses received \$1.6 million (10.5%) of the purchase orders awarded to minority-owned businesses. Vendors whose ethnicity was “unknown” received \$2.5 million (16%) in purchase orders awards.

#### **PROCESSING DATA FOR DECEMBER 1, 1997, THROUGH NOVEMBER 30, 1999**

As mentioned earlier, the changes in purchasing limits have increased the percentage of purchases (both number and dollar amount) that are awarded at the state agency level, rather than by the Department of General Services’ Purchasing Division. Comments by purchasing staff indicate that the changes have improved the efficiency and effectiveness of the purchasing process; however, neither Purchasing Division staff nor other state agency purchasing staff interviewed could provide data to support an increase in efficiency or effectiveness at the state agency level. The Division of Purchasing did provide information concerning purchase requisitions and related processing times—a comparison of information for December 1997 through November 1998 (the year immediately before the change in purchasing limits) and December 1998 through November 1999 (the year immediately after the change) showed only a minor decrease in processing times overall.

During the two years reviewed, the number of requisitions received by Purchasing decreased by 3%—such a decrease seems reasonable if, as purchasing limits increase, more purchases are handled internally by state agencies. (Although the Director of Purchasing did not attribute any changes in division staffing solely to changes in the purchasing limits, he did indicate that, since the changes, the division had been able to reassign two purchasing agents—one is now responsible for visiting state agencies and reviewing documents concerning delegated purchase authorizations and the other has been assigned to the bid room in an attempt to decrease bid-related errors that can delay the contract process and cost the state money.) A comparison of information for the two years reviewed also indicated that the total number of days requisitions were with Purchasing decreased by nearly 3%; the average number of days requisitions were with Purchasing actually increased overall, but only by .3%. (See Table 10.)

According to the Director of Purchasing, the open requisition category provides a more accurate indication of division processing times because times to process other requisition types may be affected by outside entities such as the Board of Standards or may have built-in delays (e.g., all requests for delegated purchase authorities must be received by Purchasing by April 20 but are not actually awarded until June 30). For open requisitions, the number of requisitions

Table 8  
Purchase Order Ranges Recorded in TOPS  
Number of Purchase Orders by Ethnicity Code  
December 1998 to November 1999

Ethnicity Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$2,000	Percent	\$2,000.01 to \$10,000	Percent	> \$10,000	Percent	Total	Percent of Total
Asian-American	610	3.77%	91	3.21%	28	3.18%	7	3.21%	736	3.66%
African-American	728	4.50%	280	9.87%	111	12.60%	33	15.14%	1,152	5.73%
Caucasian	8,763	54.18%	1,185	41.75%	287	32.58%	65	29.82%	10,300	51.21%
Hispanic	1,101	6.81%	886	31.22%	356	40.41%	74	33.94%	2,417	12.02%
American Indian	295	1.82%	24	0.85%	10	1.14%	1	0.46%	330	1.64%
Other*	89	0.55%	8	0.28%	4	0.45%	1	0.46%	102	0.51%
Unknown	4,589	28.37%	364	12.83%	85	9.65%	37	16.97%	5,075	25.23%
Total**	16,175	100.00%	2,838	100.00%	881	100.00%	218	100.00%	20,112	100.00%

\* According to General Services staff, the "Other" category was one of the original categories but has not been revised as additional categories have been added to the vendor registration form.

\*\* Because of differences in the way categories were assigned, there is a slight (immaterial) difference between the total numbers shown above and the minority numbers shown in Table 4.



Table 9  
Purchase Order Ranges Recorded in TOPS  
Dollar Amount of Purchase Orders by Ethnicity Code  
December 1998 to November 1999

Ethnicity Code	Purchase Order Limits									
	< \$400	Percent	\$400.01 to \$2,000	Percent	\$2,000.01 to \$10,000	Percent	> \$10,000	Percent	Total	Percent of Total
Asian-American	\$ 67,246	3.15%	\$ 82,888	3.12%	\$ 112,387	2.98%	\$ 175,475	2.48%	\$ 437,996	2.80%
African-American	118,963	5.58%	277,363	10.44%	478,720	12.68%	773,243	10.92%	1,648,289	10.54%
Caucasian	1,130,064	52.98%	1,103,977	41.57%	1,270,371	33.65%	2,017,302	28.50%	5,521,713	35.30%
Hispanic	225,572	10.58%	866,152	32.61%	1,493,229	39.55%	2,750,794	38.86%	5,335,747	34.11%
American Indian	38,788	1.82%	22,782	0.86%	45,811	1.21%	17,444	0.25%	124,825	0.80%
Other*	8,834	0.41%	7,775	0.29%	18,376	0.49%	16,936	0.24%	51,921	0.33%
Unknown	543,527	25.48%	294,835	11.10%	356,787	9.45%	1,327,818	18.76%	2,522,967	16.13%
Total	\$2,132,994	100.00%	\$2,655,772	100.00%	\$3,775,681	100.00%	\$7,079,012	100.00%	\$15,643,458	100.00%

\* According to General Services staff, the "Other" category was one of the original categories but has not been revised as additional categories have been added to the vendor registration form.

\*\* Because of differences in the way categories were assigned, there is a slight (immaterial) difference between the total dollar amounts shown above and the amounts shown for minorities in Table 5.

Table 10  
Purchase Requisitions Sent to the Division of Purchasing  
Comparison of Numbers and Processing Times for  
December 1997 Through November 1998 and for December 1998 Through November 1999

	Number of Requisitions				Days in Purchasing				Average Number of Days in Purchasing		
Document Type	12/97–11/98	12/98–11/99	Percent Change +/(%)		12/97–11/98	12/98–11/99	Percent Change +/(%)		12/97–11/98	12/98–11/99	Percent Change +/(%)
Open (one-time) Requisition	1,506	1,366	(9.3%)		67,120	59,167	(11.8%)		44.57	43.31	(2.8%)
Request Agency Term Contract	444	441	(.7%)		36,094	33,763	(6.5%)		81.29	76.56	(5.8%)
Delegated Purchase Authority From Bid	168	146	(13.1%)		10,707	9,509	(11.2%)		63.73	65.13	2.2%
Agency Multi-Year Contract	111	180	62.2%		10,441	18,245	74.7%		94.06	101.36	7.8%
Statewide Contract Invitation Requisition	116	120	3.4%		19,221	16,908	(12.0%)		165.70	140.90	(15.0%)
Statewide or Multi-Year Contract Nonfunded	14	32	128.6%		1,546	3,466	124.2%		110.43	108.31	(1.9%)
Totals	2,359	2,285	(3.1%)		145,129	141,058	(2.8%)		61.52	61.73	.3%

decreased by 9%, the total days in Purchasing decreased by nearly 12%, and the average number of days in Purchasing decreased by nearly 3%.

Processing times are lengthened when the Division of Purchasing must return requisitions to the requesting agencies because of errors, incomplete information, etc. During both years reviewed, approximately 60% of requisitions had to be returned to the requesting agency; overall, between the two years reviewed, there was a 4% decrease in requisitions returned. (See Table 11.) However, once requisitions had been returned, the total number of days the requisitions remained at the agencies increased by 14%, and the average number of days a requisition remained at the agency increased by 19%.

The processing information reviewed has some weaknesses. The processing times presented do not distinguish between time that is directly under the division's or purchasing agents' control and time that is outside their control because of statutory requirements, actions by vendors or requesting agencies, etc. For this reason (according to the Director of Purchasing), this processing information is typically only used internally to help management identify potential problems and evaluate purchasing agent performance.) In addition, the information reviewed does not provide any information on purchases under \$2,000 that are made directly by state agencies—the level of purchasing where the greatest impact in terms of efficiency and effectiveness might reasonably be expected. Although such information should, ideally, be available through TOPS, Purchasing staff indicated that the information is not always complete or entered in a timely manner by agency staff.

## **PURCHASING HISTORY FOR FISCAL YEARS 1995 THROUGH 1999**

To evaluate trends in purchasing by the state, we reviewed the Department of General Services' annual reports on purchases from small and minority-owned businesses for fiscal years 1996 through 1999. Section 12-3-808, *Tennessee Code Annotated*, directs the Commissioner of the Department of General Services to make an annual report to the Governor and the General Assembly regarding the awarding of purchases to small and minority-owned businesses.

Purchasing payments by the State of Tennessee Accounting and Reporting System (STARS) for fiscal years 1995 through 1999 are detailed in Table 12. (This STARS information differs from the TOPS information presented earlier in our report for the following reasons: different time periods are covered; TOPS details information on purchase orders issued and STARS contains information on invoices actually paid, which may not be the same amounts; and STARS contains information on some purchases other than those that were processed through TOPS.) The information indicates that there has been an increase in the dollar amount of purchases awarded to small businesses, minority businesses, and African-American businesses, with the biggest increase occurring between fiscal years 1997 and 1998. (The law increasing the purchasing limits was effective May 1998; however, according to the director of the Purchasing Division, the purchasing rules then had to be revised and promulgated. The rule revision process was not completed and the increase in the limits formally implemented until November 1998. The increase in purchasing limits was programmed into the division's computer as of December

Table 11  
Purchase Requisitions Returned to Requesting Agency  
Comparison of Numbers and Processing Times for  
December 1997 Through November 1998 and for December 1998 Through November 1999

	Number of Requisitions Returned				Total Days at Agency				Average Number of Days at Agency		
Document Type	12/97–11/98	12/98–11/99	Percent Change +/(–)		12/97–11/98	12/98–11/99	Percent Change +/(–)		12/97–11/98	12/98–11/99	Percent Change +/(–)
Open (one-time) Requisition	927	774	(16.5%)		6,984	6,997	.2%		7.53	9.04	20.1%
Request Agency Term Contract	265	267	.8%		1,882	2,102	11.7%		7.10	7.87	10.8%
Delegated Purchase Authority From Bid	30	53	76.7%		287	545	89.9%		9.57	10.28	7.4%
Agency Multi-Year Contract	93	150	61.3%		1,237	2,260	82.7%		13.30	15.07	13.3%
Statewide Contract Invitation Requisition	108	106	(1.9%)		2,320	2,802	20.8%		21.48	26.43	23.0%
Statewide or Multi-Year Contract Nonfunded	8	24	200.0%		247	123	(50.2%)		30.88	5.13	(83.4%)
Totals	1,431	1,374	(4.0%)		12,957	14,829	14.4%		9.05	10.79	19.2%

Table 12  
Department of General Services  
Purchasing History  
Payments by the State of Tennessee Accounting and Reporting System (STARS)\*  
Fiscal Years 1994-1995 Through 1998-1999

Fiscal Year	Purchasing Division Totals**	Small Business	Percentage	Minority Business	Percentage	African- American	Percentage
1994-1995***	\$253,406,510	\$54,139,167	21.4%	\$24,345,795	9.6%	\$2,745,536	1.1%
1995-1996	\$263,420,133	\$66,347,517	25.2%	\$42,128,471	16.0%	\$4,702,265	1.8%
1996-1997	\$275,586,902	\$69,445,908	25.2%	\$42,260,149	15.3%	\$4,775,384	1.7%
1997-1998	\$243,076,556	\$96,136,092	39.5%	\$53,325,139	21.9%	\$6,454,836	2.7%
1998-1999	\$287,220,382	\$119,847,917	41.7%	\$64,193,799	22.4%	\$5,831,112	2.0%

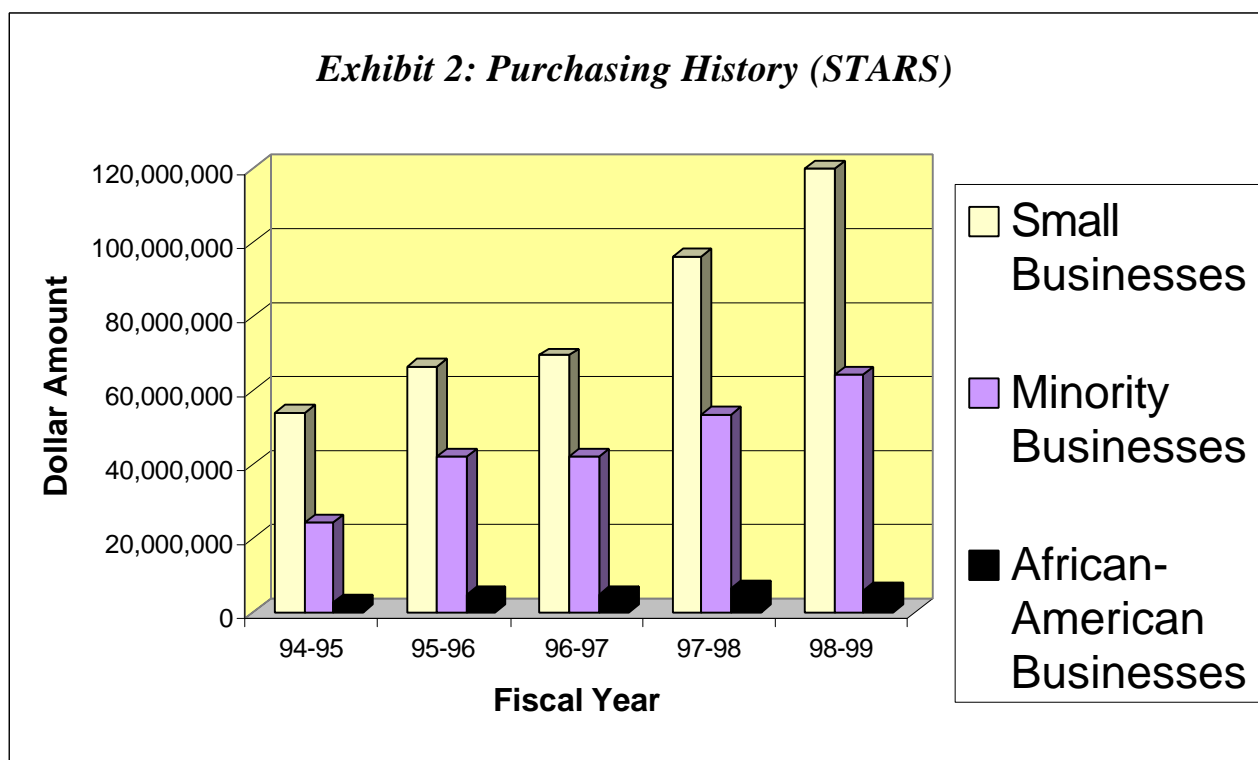
\* The exact amount of payments from STARS to small business, minority business, and African-American business owners cannot be determined because individuals may be included in more than one category. For example, a small business owner who is African-American may be included in the small business, minority business, and African-American business categories.

\*\* Represents all payments for term contracts, one-time purchases, encumbrances, local purchases, emergency purchases, and services contracts with vendors registered with the Purchasing Division.

\*\*\* Fiscal year 1995 information was included in the fiscal year 1998 report.

	<u>Small Business</u>	<u>Minority Business</u>	<u>African-American Business</u>
1998-1999	\$119,847,917	\$64,193,799	\$5,831,112
1994-1995	<u>54,139,167</u>	<u>24,345,795</u>	<u>2,745,536</u>
Total Increase	\$65,708,750	\$39,848,004	\$3,085,576
Percent Change	121.37%	163.68%	112.39%

1, 1998. Therefore, the increase in purchasing limits was not a factor in the amount of increase between fiscal years ending June 30, 1997, and June 30, 1998.) The largest dollar increase between fiscal years 1997 and 1998 occurred in the small business category (\$69.4 million to \$96.1 million), and the smallest change occurred in the African-American category (\$4.8 million to \$6.5 million). Minority businesses experienced the smallest percent increase during that time—26% as compared to 35% for African-American businesses and 38% for small businesses. For the total time period reviewed, purchase orders awarded to minority business owners increased by 164%, purchase orders awarded to small business owners increased by 121%, and purchase orders awarded to African-American business owners increased by 112%. Although all categories have experienced significant increases, Exhibit 2 details graphically that the increase in purchasing payments to small business owners and minority business owners was much greater than the increase in payments to African-American business owners.



Source: Department of General Services Annual Reports on Small and Minority Businesses Purchases for Fiscal Years 1995-1996 Through 1998-1999.

Conclusions that can be drawn from the data in Table 12 are limited because of overlap among the three categories (small business, minority business, and African-American business). As a result, a minority business might be included in the small business category, and an African-American business would be included in the minority category and possibly in the small business category also. According to Purchasing Division staff, General Services' computer system first determines whether a business is considered a small business based on the dollar amount of business the owner reports, the number of employees, and the type of industry. The computer then determines whether a business is classified as a minority business according to

how the individual reports his or her business ownership classification. Thus, an applicant may be considered both a small business and a minority business. Purchasing Division staff indicated that the computer program was not written to separate small businesses into minority and non-minority business owners. Despite the data limitations, the information indicates that, for fiscal years 1996 through 1999, the state awarded 25% or more of purchases to small businesses, thereby meeting or exceeding the Board of Standards' goal of awarding 25% of total purchases to small and minority-owned businesses. However, the exact percentage of STARS payments made to small non-minority businesses as opposed to small minority businesses and large minority businesses cannot be determined from the data available.

Table 13 presents information from General Services' annual reports broken down by the minority categories of women, disabled persons, and African-Americans, for fiscal years 1996 through 1999. (Purchasing Division staff identified a problem with this data similar to that discussed for Table 12—the information in the various categories overlaps because the computer program was designed to include all women, including disabled women and African-American women, in the women category.) For all four years reviewed, women received the largest number of minority solicitations, responses, and awards. African-Americans received the second largest number of solicitations, and disabled persons received the fewest number. Women had a response rate ranging from 57% to 61%, disabled persons' response rate ranged from 20% to 63%, and African-Americans' response rate ranged from 7% to 27% (25% to 27% during fiscal years 1997 to 1999).

Table 14 presents General Services' information concerning total active registered vendors and minority vendors (broken down by ethnicity) in 1996 through 1999. During that period, the percentage of active vendors who were registered and identified as minorities increased from 14.9% to 15.1%. The data indicate that between November 1996 and December 1999, the total number of active registered vendors increased by 10,143 vendors (a 24% increase), and the number of active registered minority vendors increased by 1,622 (a 26% increase).

The term "minority," as defined by *Tennessee Code Annotated*, includes ethnic and religious minorities, women, and some disabled persons. Therefore, in Table 14, the Caucasian category represents Caucasian women and Caucasian disabled persons. The Caucasian category made up the largest percentage of the active registered minority vendors (39% to 43%). The next largest group was the "Unknown" category, which represents individuals who have identified themselves as minorities but do not indicate their ethnicity. The Unknown category percentage is gradually decreasing, however, from a high of 44% in 1996 to a low of 34% in 1999. This decrease may be the result of Purchasing Division staff's efforts (described below) to follow up with minority vendors who do not indicate their ethnicity and communicate to vendors why ethnicity information is important. The African-American category made up the third largest group of minority vendors—13% in 1999. (See Exhibit 3 for a bar graph of the information contained in Table 14.) Because over one-third of the vendors failed to provide information concerning ethnicity, we were limited in drawing conclusions on vendor ethnicity, as well as on the distribution of purchase orders among the different ethnic categories (see Tables 6 through 9).

Table 13  
Department of General Services  
Minority Vendor Bid History  
Fiscal Years 1995-1996 Through 1998-1999  
Payments by Tennessee On-Line Purchasing System (TOPS)

Fiscal Year	Number of Solicitations	Number of Responses	Percent (Responses/ Solicitations)	Number of Awards	Percent (Awards/ Solicitations)	Amount of Awards
<u>1995-1996</u>						
Women	25,480	14,940	58.63%	14,616	57.36%	\$6,998,752
Disabled Persons	60	12	20.00%	4	6.67%	\$2,405
African-Americans	7,180	528	7.35%	961	13.38%	\$4,198,204
<u>1996-1997</u>						
Women	27,222	16,554	60.81%	10,219	37.54%	\$6,480,347
Disabled Persons	65	41	63.08%	5	7.69%	\$18,927
African-Americans	9,262	2,472	26.69%	657	7.09%	\$2,646,416
<u>1997-1998</u>						
Women	23,036	13,781	59.82%	8,778	38.11%	\$5,093,390
Disabled Persons	132	61	46.21%	19	14.39%	\$8,060
African-Americans	8,079	2,202	27.26%	764	9.46%	\$4,174,737
<u>1998-1999</u>						
Women	28,683	16,422	57.25%	20,468	71.36%	\$7,154,107
Disabled Persons	249	86	34.54%	157	63.05%	\$16,371
African-Americans	11,472	2,916	25.42%	7,460	65.03%	\$1,985,505



Table 14  
Department of General Services  
Minority Vendors by Ethnicity  
1996 Through 1999

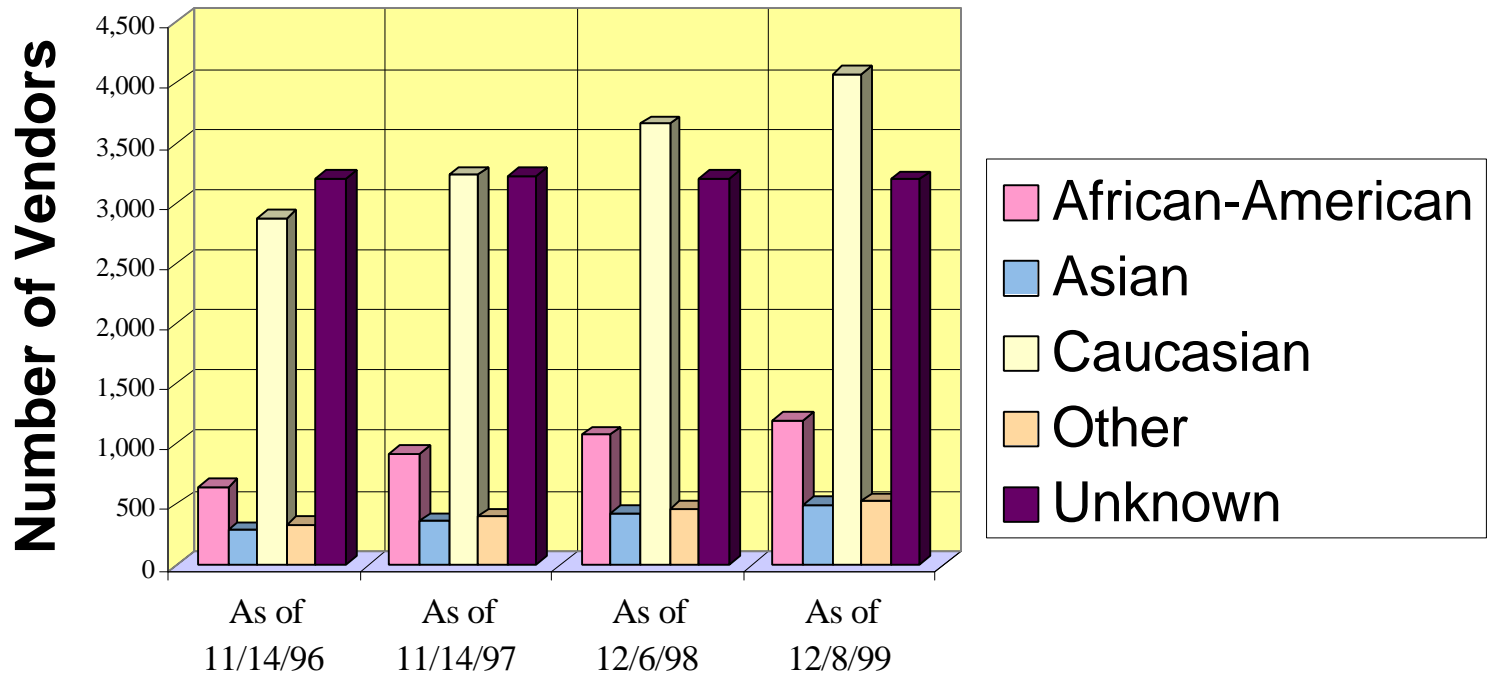
Category	As of 11-14-96		As of 11-14-97		As of 12-6-98		As of 12-8-99	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b><u>All Registered Vendors</u></b>								
Total Active Registered Vendors	42,383	100.00%	45,620	100.00%	49,030	100.00%	52,526	100.00%
Active Registered Minority Vendors	6,322	14.92%	6,841	15.00%	7,393	15.08%	7,944	15.12%
<b><u>Breakdown of Minority Vendors by Ethnicity</u></b>								
African-American	646	8.78%	921	11.30%	1,079	12.22%	1,197	12.61%
Asian	291	3.96%	365	4.48%	423	4.79%	501	5.28%
Caucasian**	2,872	39.04%	3,239	39.75%	3,661	41.46%	4,072	42.88%
Hispanic	131	1.78%	151	1.85%	177	2.00%	216	2.27%
Native American	128	1.74%	148	1.82%	168	1.90%	182	1.92%
Other	79	1.07%	98	1.20%	114	1.29%	131	1.38%
Unknown***	3,209	43.62%	3,226	39.59%	3,208	36.33%	3,197	33.67%
TOTAL	7,356*	100.00%	8,148*	100.00%	8,830*	100.00%	9,496*	100.00%

\* These totals include both active and inactive registered minority vendors.

\*\* Minority, as defined by Tennessee law, includes ethnic and religious minorities, women, and some disabled persons. This figure represents Caucasian women and Caucasian disabled persons.

\*\*\* Some vendors who have identified themselves as minorities have been reluctant to indicate ethnicity. The Department of General Services, Purchasing Division, has conducted extensive mail and telephone surveys in an attempt to decrease the number of "unknowns."

*Exhibit 3: Minority Vendor Ethnicity*



Note: "Other" includes Hispanic, Native-American, and other ethnic groups not specifically listed.

Source: Department of General Services Annual Reports on Small and Minority Businesses Purchases for Fiscal Years 1995-1996 Through 1998-1999

Purchasing Division staff acknowledged the continuing problem with identifying the ethnicity of many of the minority vendors who register with the state but indicated that the division has taken several steps in an attempt to resolve the problem. Initially, the division hired temporary employees to conduct a telephone survey to determine the ethnicity of registered vendors who failed to indicate ethnicity on the vendor application form. The division now has a full-time employee who routinely follows up with vendors who do not complete the information. In addition, the division, in cooperation with the Department of Transportation and the Department of Finance and Administration, developed a uniform application form for registration as a state vendor. The application form is available in a packet or on the Purchasing Division's web site.

The application and instructions in the vendor registration packet include the following language to encourage vendors to identify their ethnicity: "Ethnicity information is requested here to comply with Title VI of the 1964 Civil Rights Act to ensure equity and fairness in the expenditure of public dollars." However, as of April 2000, this statement was not included with the instructions and application form found on the web site; therefore, this explanation was not readily available to those vendors who obtained applications from the Internet. (The statement was added to the bidder's instructions on the Purchasing Division's web site in May 2000.) In addition, the statement may need to be expanded to better explain why the ethnicity information is so important. Reporting ethnicity information is important to the vendor because when a vendor specifies that he or she is a minority, the vendor is automatically selected by TOPS to receive solicitations for bids, and minority vendors are not removed from the vendor list if they do not respond to a solicitation for bids. Reporting ethnicity information is important to the state because the information provided enables the division to more accurately assess the number and amount of purchase orders that are awarded to businesses owned by various ethnic groups.

## **REVIEW OF OTHER STUDIES AND SURVEYS**

In addition to reviewing Department of General Services' purchasing information and reports, we reviewed some other studies and surveys concerning government purchases and minority-owned businesses, in an attempt to identify problems and possible solutions.

The first study reviewed was the Governor's Minority Business Development Advisory Committee's *Initial Report to the Governor – Minority Business Contracting Opportunities With State Government*, released in May 1995. The committee was created by Executive Order 53 on November 19, 1993, and included minority business owners, minority business association directors, members of the Governor's Executive Staff, as well as members of the Tennessee Legislative Black Caucus. The purpose of the committee was to encourage the development of businesses and economic activity in Tennessee's minority communities. One of the mandates of the committee was to assess the needs of minority businesses as they related to doing business with state government.

During 1994, in order to assess the needs of minority businesses, the committee held forums for minority business owners in Chattanooga, Knoxville, Memphis, and Nashville and produced a questionnaire, which was sent to all the minority vendors registered with the state and

distributed at trade fairs, seminars, etc. Overall, 8,800 questionnaires were distributed. The responses were to be returned to the Small and Minority Business Coordinator in the Department of General Services' Purchasing Division—as of the December 1994 cut-off date, the division had received 459 responses. One of the questions asked the respondents to make five suggestions for changes in the state's contracting practices. Although some respondents were satisfied with the current process, many made suggestions, which could be grouped in the following major areas:

- improve timeliness of payments/decrease paperwork
- improve access to information/simplify bidding process/provide sufficient time to respond
- award more purchases to minorities/increase set-asides for minorities/set minority participation goals
- base awards on more than lowest bid
- lower insurance/bonding requirements
- increase/improve assistance by state staff

The Minority Business Development Advisory Committee submitted another report to the Governor on November 30, 1999. This report stated that “the same business environment exists for HUBs [historically underutilized businesses] that were outlined in the initial report . . . of 1995. The 1995 committee identified the following major problems facing HUBs: 1) inconsistent definitions for small and disadvantaged businesses; 2) slow payment; 3) access to capital, high bonding, and insurance requirements; and 4) inordinate amount of bureaucratic paperwork.”

To address these problems, the November 1999 report made the following recommendations:

1. The state should develop a definitive policy statement for HUBs' participation in all state procurement processes, including a clear definition of HUBs with subsets or categories. Each department within state government should identify a person whose sole responsibility should be to coordinate HUB participation (e.g., the person currently responsible for Title VI). All departments should work to meet the Board of Standards' established goal that 25% of total state business be purchased from small and minority businesses.
2. The State of Tennessee should develop financing mechanisms that will stimulate HUB growth and should assist HUBs in obtaining capital and bonding. The state should also encourage banks to facilitate lending to HUBs. The state should make an effort to make payments of invoices within 15 calendar days and encourage prime contractors to pay invoices for approved and completed work within 15 calendar days.

3. The State of Tennessee should create an environment conducive to the growth of HUBs. This would include training for state procurement personnel and making purchasing personnel responsible and accountable for implementation of the HUB purchasing procedures. According to the committee, two barriers need to be addressed. One barrier is a lack of uniform and adequate outreach to increase business and community awareness of state procurement and contract opportunities. The other barrier is large contracts that are awarded to sole contractors.
4. The state should ensure that an appropriate vehicle is in place to oversee the implementation of the committee's recommendations. One suggestion was to establish the Office of Tennessee Small Business Enterprise to assist HUBs. The committee also suggested establishing an ongoing committee to serve in an advisory and oversight capacity.

We also reviewed a disparity study performed by an independent firm under contract with Metropolitan Nashville/Davidson County. The study, which was released in August 1999, covered the four-year period from July 1, 1992, to June 30, 1996. (Although this was a local government study, some of the problems identified and recommendations made were similar to issues identified at the state level.) Through the collection of statistical and anecdotal information, the disparity study assessed the impact of Metro agencies' contracting practices on business in the Nashville/Davidson County area. The study was designed to determine whether contracting and purchasing methods were affected by race or gender discrimination.

The anecdotal evidence (extensive interviews with minorities, women, and Caucasian male business owners) explored forms of business institutional discrimination, such as barriers to financing, credit, bonding, and insurance. It was universally acknowledged that these barriers impair all small businesses and were among the most difficult to transcend. The interviewees reported that bankers seem less willing to work with minority- and women-owned businesses and provide them advice and information on how to obtain credit. Minority and women business owners reported that the requirements financial institutions impose on them are disproportionately higher than those imposed on non-minority firms. Minority and women business owners also stated that negative stereotypes about their abilities and limited networking opportunities make obtaining bonding even more difficult. Some other notable findings mentioned in the report included

1. Minority- and women-owned companies were frequently underutilized, given their availability in each industry.
2. Minority and women business owners reported experiencing harassment, intimidation, or unreasonable pressure on the job.
3. Minority and women business owners reported losing work once their ethnicity and/or gender became known.
4. Once contracts had been awarded, minority and women business owners reported difficulties with reductions in their scope of work after work commenced.

5. All contractors—minorities, women, and Caucasian males—reported a closed system for awarding contracts.

Because minority- and women-owned businesses reported considerable difficulty obtaining notice of bid opportunities and reported exclusion from networking circles, the report made the following recommendations that the Metro agencies should consider as part of their outreach efforts:

- Disseminate information.
- Regularize the release of contract information.
- Identify potential prime contractors.
- Hold pre-bid meetings.
- Develop a telephone hotline.
- Debrief bidders.

The report also recommended that the Metro agencies should consider (1) expanding the technical assistance currently provided to minority- and women-owned businesses to include assistance in preparing business plans, financial statements, and other documents required by lending institutions; and (2) forging partnerships with lending institutions to offer competitive commercial loans and business lines of credit adequate to support the development of undercapitalized local, small, and minority- and women-owned businesses.

## **DEPARTMENT OF GENERAL SERVICES' EFFORTS TO ASSIST MINORITY BUSINESS OWNERS**

The Department of General Services' Purchasing Division has taken several steps in an attempt to assist minority business owners and to address the recommendations made by the Governor's Minority Business Development Advisory Committee and during the department's July 1999 Title VI hearing.

- Division staff have visited three Tennessee Business Development Centers and are in the process of helping develop a link between the web sites of the centers and the Purchasing Division.
- The division has placed several advertisements in minority media publications, but staff indicated that the division will need additional funding designated for advertising to complete the legislative committee's recommendation concerning using more minority media publications.
- Division staff conduct seminars and workshops for vendors on how to do business with the state, participate in trade shows and fairs for small and minority businesses, and attend small and minority business conferences. During 1998 and 1999, the

division participated in six training seminars to promote the opportunities available for small and minority-owned businesses to conduct business with the state. According to staff, most of the seminars had 30 or more participants; however, one seminar held in Memphis on September 22, 1999, had only five business owners present.

- The director of the Purchasing Division served as chair to the planning committee for Minority Enterprise Development Week, September 24-30, 2000, and the division also had an information booth at the Second Annual Unified Vendors Diversity Day held during the same week.
- The division encourages state agencies to award more purchases under \$400 to minority business owners, because an agency does not have to obtain bids for such purchases. The division also prepares a monthly report on agencies' progress in meeting the Board of Standards' goal of awarding 25% of the total dollar amount of purchase orders to small and minority-owned businesses. (The report is available to agencies upon request.) Division staff review the report and contact or visit agencies that are having problems meeting the goal. Staff try to visit all larger agencies periodically; smaller agencies are only visited if the agency requests help or if Purchasing staff identify problems.
- The division maintains a current on-line list of small and minority vendors for state agency use. (Minority vendors are always included when TOPS develops a list of vendors to submit solicitations for bids, and the minority vendors are not removed from the list when vendors fail to respond to solicitations for bids.)
- Division staff have developed a publication, *How to Do Business With the State of Tennessee*, which is available in both printed form and on the Internet. The publication provides detailed procedures for registering with the state as a vendor, as well as information on the bidding process, prompt payment procedures, and protest procedures.
- The division attempted to make the bidder application process easier for vendors by deleting the notary requirement on the application form, allowing Internet access to application instructions and forms, allowing immediate fax-back of application forms, and eliminating or lowering bonding requirements. (Several years ago, the Commissioner of General Services removed the bonding requirements from contracts with security and janitorial service providers. Contracts for other types of services are reviewed on a case-by-case basis—if the bond requirement does not serve any real purpose in awarding the contract, the requirement is dropped.)

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## RECOMMENDATIONS

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### ADMINISTRATIVE

The Department of General Services' Purchasing Division should address the following areas to improve the accuracy and completeness of purchasing information.

1. Management in the Department of General Services' Purchasing Division needs to review the computer system and make the necessary revisions to ensure that the system can provide the purchasing information needed to determine, without overlap, actual purchases from the various minority categories.
2. Purchasing Division staff need to continue efforts to obtain information on the ethnicity of all vendors identifying themselves as minorities. Staff may wish to consider working with minority business groups and expanding the explanation in the vendor application form to better communicate to minority business owners the reasons why ethnicity information is important to the state (and to the business owners).



## **Appendix**

### **Definitions of Purchasing Terms**

**Agency Term Contract**—The Department of General Services' Purchasing Division establishes an individual agency term contract for specific goods or services that are unique to that agency's specific requirements. One or more sources of supply are established for a specific period of time at an agreed upon unit price(s). An agency term contract is usually established for a 12-month period. The Purchasing Division does not guarantee that the state will buy any or all estimated amounts of any specific item or any estimated total expenditure amount.

**Delegated Purchase Authorization (DPA) From Bid**—A delegated purchase authorization from bid gives agencies one-time approval to purchase items and services which otherwise would be purchased by the Purchasing Division. This authorization (subject to the approval of the Board of Standards) allows an agency the flexibility needed to purchase perishable commodities (e.g., fresh produce) and to deal with price fluctuations. A specific dollar amount, period of time, and commodity must be identified in the request. Agencies that are granted the DPA from bid must obtain bids in the manner prescribed in the purchasing procedures manual.

**Emergency Purchase**—There are two types of emergency purchases: regular and extraordinary. A regular emergency purchase occurs when a state agency requests and receives authorization from the Purchasing Division to purchase the supplies, materials, equipment, or services required for immediate delivery to that agency. The requesting agency must document the circumstances on TOPS. An extraordinary emergency purchase occurs when the agency is unable to obtain immediate authorization for a purchase (e.g., agency workers are out scraping the highways on a Saturday morning because of a snowstorm and need additional equipment). In such a situation, the agency would make the purchases needed and report to the Purchasing Division on Monday morning. All emergency purchases shall, if practical, be made on the basis of competitive bids. The Commissioner of General Services may waive the requirement for a sealed bid in an emergency purchase situation.

**Multi-Year Contract**—Multi-year contracts allow for a contract term of greater than 12 months. The state can exercise the option to extend the contract at the end of each 12-month period. However, no contract term can exceed a total of 60 months.

**Open (One-Time) Requisition**—A one-time purchase or an open market requisition is used to satisfy a nonrecurring requirement; the purchase must be made on the open market through competitive bidding. The bidding may consist of an informal solicitation (bids are accepted openly in writing, by fax, or by telephone) or a formal solicitation (sealed bids are opened on a specific day and at a specific time).

**Small Value Purchases**—Statute authorizes state agencies to purchase commodities or services directly (i.e., bypassing the Purchasing Division), provided the amount of a single purchase does not exceed \$2,000 and a source of supply has not already been established (e.g., through a statewide or agency term contract). Whenever practical, agencies are required to secure at least three competitive bids, on all delegated purchases, which must be documented in TOPS. When

the purchase of goods or services of less than \$2,000 is foreseen to be repetitive to the extent that the total purchases of a specific type of commodity or service will exceed \$2,000 for a single calendar month, the using agency should procure the items through the Purchasing Division. Invoice “splitting” is not to be used in order to make purchases of more than \$2,000 appear to be less. Agency local purchases of \$400 or less do not require competitive bids.

**Statewide Contract**—Using a competitive sealed bid process, the Purchasing Division establishes statewide contracts for goods and services that are commonly used by all agencies. The vendor contracts to supply the awarded items at the contract price to all state agencies, regardless of their location, unless otherwise stated in the Invitation to Bid (ITB). (The items, estimated quantity volume, and estimated expenditures of the contract are listed on the ITB.) The Purchasing Division does not guarantee that the state will buy any or all estimated amounts of any specific item or any estimated total expenditure amount.